

INTRODUCTION OF A BANDED INCOME COUNCIL TAX SUPPORT SCHEME FOR 2020/21

REPORT OF: HEAD OF CORPORATE RESOURCES
Contact Officer: Kevin Stewart, Business Unit Leader for Revenues and Benefits
Email: kevin.stewart@midsussex.gov.uk Tel: 01444 477229
Wards Affected: All
Key Decision: No
Report to: Scrutiny Committee for Leader, Finance and Performance
4th September 2019

Purpose of Report

1. To introduce a draft of a proposed new Council Tax Support Scheme (CTSS) in readiness for public consultation.

Summary

2. The Committee is asked to review and approve the proposed Council Tax Support Scheme for consultation.
3. The changes are designed to reduce administration for the Council, whilst producing a simpler, more transparent scheme for the customer in response to wider welfare reform, such as the ongoing roll out of Universal Credit (UC).
4. The Local Government Finance Act 1982 requires a local authority to have approved a scheme for the provision of Council Tax Support in 2020/21 by 11th March 2020.

Recommendations

5. That the proposed new Council Tax Support Scheme be put forward for public consultation.

Background

6. Since 1st April 2013 when the Government abolished Council Tax Benefit, they have required local authorities to either develop their own Council Tax Support Scheme or adopt a national Default Scheme.
7. In doing so, the Government reduced funding available to local authorities by between 10 to 14%.
8. For 2013/14 this council adopted the national scheme, which was aligned with the former Council Tax Benefit Scheme. Alongside that we received transitional payments from the Government.
9. Since the 1st April 2014 this council developed its own local Council Tax Support Scheme.
10. One principle was that unless in a vulnerable group, a person of working age has to currently pay at least 39% towards their Council Tax.
11. The current protected vulnerable groups can receive maximum Council Tax Support (CTS) of 100% (if their income supports this) as they are not expected to look for work. These groups include anyone with an award of:-

- a disability premium within Council Tax Support or Working Tax Credit
 - the support group of Employment and Support Allowance
 - Disability Living Allowance or Personal Independence Payment
 - Both Income Support and Carers allowance
 - A War Disablement Pension, Armed Forces Pension or Armed Forces Independence payments
 - Or any lone parent with a child under 5 years old
12. There are also a number of incentives within the existing CTSS to make work pay. This supports the current national Welfare Reform agenda.
13. The support provided under the CTSS was designed to be at no cost to the local tax payer. The cost of support has been fully met by government funding and this is the intention of the new proposed scheme.

The Proposals

14. The new CTSS that officers are proposing will be fair and cost effective but the Council will also compromise on some areas of the simplification. The detailed scheme proposed for consultation is attached as Appendix A (with specific individual examples in Appendix B), but in summary Officers recommend the following:-
- a. To continue to base the scheme on the default CTSS set by the Government,
 - b. To use a banded scheme where the percentage of Council Tax that householders are liable to pay is based on the income band each household falls into (this is based on the customers' needs and finances),
 - c. Unless in a protected vulnerable group, all people of working age will need to pay at least 40% towards their Council Tax,
 - d. The protected vulnerable groups will remain for the new proposed scheme as in the existing scheme, as outlined in paragraph 10 above,
 - e. A flat rate of deduction for all non-dependants of £4 per week (Non-dependants are often people like grown-up sons and daughters or elderly relatives. A non-dependant is a person who lives with you but is not liable for paying rent under a formal arrangement). This excludes:-
 - a. non-dependants in households where the claimant and/or partner are in receipt of the care component of disability living allowance or the daily living component or personal independence payments or attendance allowance, and
 - b. Non-dependents in households where they are on passported benefits (in receipt of Income Support, Job Seekers Allowance (income based), Employment and Support Allowance (income related) or Guaranteed Pension Credit) or they are in receipt of Universal Credit **and** are not working,
 - f. The removal of second adult rebate for people of working age, see below,
 - g. The introduction of a minimum income floor for self-employed claimants, see below,
 - h. Increase in backdating to 12 months providing good cause is demonstrated,
 - i. Alignment with Housing Benefit regulations for late notified changes,
 - j. Alignment with Housing Benefit regulations for changes that occur in year, and
 - k. No claim form is required for CTS where UC is claimed.

15. There is also a second adult rebate element in our current Council Tax Support Scheme for people of working age. This is not based on the customers' needs and finances, but on the income of other certain adults resident in their household if their income is low. The rebate should compensate the Council Tax payer for the loss of a single person discount of 25 per cent due to a "second adult" with a qualifying low income being in the property. Due to the current small numbers receiving this rebate, it is proposed to remove this second adult rebate in the new proposed scheme to make the scheme simpler to administer.
16. Universal Credit includes a 'Minimum Income Floor' which applies if you are gainfully self-employed and your business has been running for more than 12 months. The Minimum Income Floor is an assumed level of earnings. This is based on what the Government would expect an employed person to receive in similar circumstances. The new proposed Council Tax Support scheme proposes to introduce a minimum income floor for the self-employed, so mirroring Universal Credit.
17. Any proposed change would only relate to working age residents. The pensionable age regulations are maintained by Central Government and out of scope for local review.
18. In order to fit with the current committee cycle and forward plan, consultation will need to commence as soon as possible. It is anticipated that the following timetable will be followed:
 - Consideration by Scrutiny Committee for Leader, Finance and Performance – 4th September 2019.
 - Consultation period of 8 weeks (6th September to 1st November 2019).
 - Consideration of consultation responses – 1 week (4th to 8th November 2019).
 - Consideration by Officers of the final report and CTSS – 8th November 2019.
 - Final Report and CTSS to Scrutiny Committee for Leader, Finance and Performance – 20th November 2019.
 - Final Report and Approval of CTSS by Council – 11th December 2019.
 - New Banded Income Scheme Live – 1st April 2020

Reasons for change

19. Since the introduction of the scheme, there have been changes in welfare reform that have required the Council to review the existing scheme and the impact that it will have on residents and the authority in the future.
20. The introduction of Universal Credit full service from 6th June 2018 in the district will continue to have a significant impact on the Council's CTSS. This is a trend being recognised nationally as more schemes are adapted by other Local Authorities to meet the changing needs of residents.

Drivers for Change

21. From 6th June 2018 working age residents that apply for 'legacy benefits' (Income Support, Job Seekers Allowance (income based), Employment and Support Allowance (income related), Working and Child Tax Credits and Housing Benefit) in any of the Mid Sussex Job Centre area have had to claim Universal Credit instead of the legacy benefits.

21. Under the new Universal Credit benefit scheme claimants will receive once-monthly payments encompassing their qualifying benefits. This does not include Council Tax Support, which remains an administrative function of the Local Authority.
23. These ongoing Welfare Reform changes have required the Council to review the existing CTSS scheme and the impact that it will have on residents and the authority in the future. This is a trend being recognised nationally as more schemes are adapted by Local Authorities to meet the changing needs of residents.
24. Research in areas where Universal Credit has already rolled out has identified trends in three key areas:
 - Low take up of customers in receipt of Universal Credit applying for Council Tax Support;
 - Large numbers of change in circumstances received by Councils via DWP's data hub. Approximately 40% of UC cases will have an adjustment each month; and
 - Collection difficulties with multiple demand notices being issued.
25. National trends have demonstrated that on average Universal Credit customers receive at least 8 change notifications in a year. Under the existing scheme each change to income would produce a new demand notice for the customer; amending their instalments on a regular basis and making it difficult to collect via Direct Debit due to rules around the administration. The proposed scheme if adopted will greatly reduce this impact.

Impact to Residents

26. Multiple changes for the customer in Universal Credit would result in a knock on effect of multiple changes for the customer in their CTS award. Using the existing scheme, which is a calculation on tapered income, any small change to income (even a penny) can amend the CTS award.
27. Regular changing of instalments can make it difficult for a customer to use Direct Debit as payment method, due to the lead in times that the Council needs to advise the customer of a change before taking payment. Multiple demand notices can also be confusing for residents to keep up with.
28. Regular changes can also provide the customer with difficulties in budgeting as they would not have a regular payment amount known for their Council Tax. This can lead to difficulties in paying which leads to further action and potential costs to vulnerable residents.

Impact to the Council

29. Multiple changes have been demonstrated to have a significant negative impact on administration and billing for the Local Authority in areas where UC has already rolled out. Each change that results in a new demand notice will need to be administered by an officer and the demand notice will need to be produced, either by post or email, and sent to the charge payer.
30. If a resident has a monthly change it may not be possible to collect payments via Direct Debit due to the regular changes. This has been recognised nationally where collection rates for CTS cases have reduced significantly. The worst reported figures are 55% collection which is a significant decrease on local targets (85%). This would have a negative impact on collection and recovery teams.

Learning from other Councils

31. Officers have consulted a number of other Council's including Wealden DC, who introduced a Council Tax Support Banded Income Scheme from the 1st April 2019.
32. The feedback from this is that they have had very few issues despite having a number of people receiving a reduced Council Tax Support award from introducing their new scheme.

Consultation Proposed and Cabinet Feedback

33. The service plans to consult with key stakeholders to include voluntary sector, registered social landlords and a representative group of benefit claimants. This will include at least some of the identified customers who would receive a reduced award in the proposed new banded income scheme.
34. All the precepting Authorities including West Sussex County Council will be included in the consultation.
35. The consultation will be open for 8 weeks and be promoted online and through the Mid Sussex Matters Publication.
36. A copy of the proposed draft consultation document is available at Appendix D.

Policy Context

37. The Council Tax Support scheme for 2020/21 will need to be amended and approved by full Council by the 11th March 2020, although there is a need to do it before this to ensure the timely and accurate Council Tax Billing for 2020/21.

Other Options Considered

38. There are other options that can be considered. Whilst leaving the scheme as it is now is an option, due to the potential number of changes to the people in employment on Universal Credit, this may be an unsustainable burden on the Council's Benefit and Revenues Service.

Financial Implications

39. As calculated on the existing claimants, the cost of the proposed CTSS for people of working age is broadly the same as the existing scheme.

Risk Management Implications

40. Implementing change before the full managed migration roll out of UC will provide opportunity to evaluate the impact of the mitigation before significant numbers of households are affected.

Equality and Customer Service Implications

41. Decision-makers are reminded of the requirement under the Public Sector Equality Duty (s149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.
42. The options considered in this report could directly impact on end users.

43. The changes proposed within the consultation will continue to maintain a range of additional allowances and income disregards for people with disabilities and carers and apply a consistent percentage reduction to the Council Tax Support award for all people of working age.
44. All options could impact on working age claimants with one or more of the protected characteristics of disability, age, sex or race, to varying degrees.
45. The earlier introduction of an exceptional hardship scheme will provide a means to help mitigate possible impact. In giving delegated authority to the Head of Corporate Resources to finalise and commence consultation, members should note that further consideration of the impacts will take place which will include an analysis of the actual impacts of the changes that will be introduced in 2020/21.
46. Further analysis of the impacts of the proposed changes will be considered and set out in the consultation documents, where appropriate.
47. No person identified as vulnerable receiving 100 per cent maximum Council Tax Support in the existing scheme is worse under the proposed new banded income scheme in what is proposed.
48. As with the introduction of any new complex system of financial help such as Council Tax Support Schemes some people will receive a higher level of financial help when the new scheme is introduced, whereas others will receive a reduced award.
49. An Equalities Impact Assessment has been prepared and is attached as Appendix C

Other Material Implications

50. The Local Government Finance Act 1992 requires Council to approve a scheme for 2020/21 by 11th March 2020. The Act contains a statutory duty to consult on a proposed scheme, with guiding principles for fair consultation set out in case law. These Regulations do not impose a requirement on authorities in relation to what specific information and evidence they should obtain or indeed implement from such a consultation.

Appendices

- A Banded Income Scheme proposed for Consultation
- B Individual Sample Calculations
- C Equality Impact Assessment
- D Proposed Consultation Document